

GOVERNMENT FOR THE PEOPLE OF THE PHILIPPINE ISLANDS.

JANUARY 8, 1921.—Referred to the House Calendar and ordered to be printed.

Mr. TOWNER, from the Committee on Insular Affairs submitted the following

REPORT.

[To accompany H. R. 15476.]

The Committee on Insular Affairs, to which the bill H. R. 15476 was referred, report the bill to the House with the recommendation that the said bill be passed without amendment.

The bill extends the limitation now existing of the indebtedness of the Philippine Government from \$15,000,000 to \$25,000,000. Prior to the passage of the act of August 29, 1916, the Philippine Government had been authorized, by acts of Congress in each case, to contract indebtedness for special purposes: By act of July 1, 1902, it had been authorized to issue \$7,000,000 gold bonds for the purchase of the friar lands; by act approved February 6, 1905, it was authorized to contract indebtedness of \$5,000,000 gold for the construction of public works.

By section 11 of the act of August 29, 1916, it was provided:

That the entire indebtedness of the Philippine Government created by the authority conferred herein shall not exceed at any one time the sum of \$15,000,000 exclusive of those obligations known as friar land bonds, nor that of any Province or municipality a sum in excess of seven per centum of the aggregate tax valuation of its property at any one time.

This is, in practice, construed to limit the bonded indebtedness of the Philippine Government to the \$7,000,000 friar land bonds and to \$15,000,000 for all other purposes.

Prior to the passage of the act of August 29, 1916, the friar land bonds had been issued and the public works bonds, up to the limit authorized, had been issued. The public indebtedness was therefore \$12,000,000. After the passage of this act, there were issued, in 1916, \$4,000,000 gold bonds for the purchase of the Manila Railroad Co. and on September 1, 1920, there were issued \$6,000,000 of public work bonds. This made the total indebtedness of the Philippine

Government, exclusive of the \$7,000,000 friar land bonds, amount to \$15,000,000, the limit fixed by the act of August 29, 1916.

It is now requested that the act fixing the limit of indebtedness be amended so as—

First. To authorize an increase in the limit of the public debt by \$10,000,000.

Second. To authorize the central government to issue bonds to an amount equal to the total of the bonds issued by municipal and provincial governments when such bonds are held by said central government either to cover advances made or to consolidate into one loan the issues under existing law of several Provinces and municipalities when public interests are best served by such consolidation—the latter bond being properly called a “refunding bond.”

Funds derived from the sale of other than refunding bonds to be authorized are needed for necessary improvements in the Islands. These include irrigation work, harbor improvements, public buildings, and, in fact, funds are needed to supplement available revenues for practically all forms of public improvement.

It should be noted that, of the outstanding indebtedness, \$7,000,000 is represented by the friar land bonds and this indebtedness will be met by funds derived from the sale and rental of these lands; \$4,000,000 is represented by the stock of the Manila Railroad Co. The government has since invested \$6,000,000 from current revenues in the stock of this railroad, and there is no doubt that the revenues from the railroad will take care of outstanding bonds.

That the Government can afford this increase of indebtedness is beyond question. When the act of August 29, 1916, was passed, the annual revenues of the Philippine Government for the last year reported, 1915, were \$13,905,943.34; in 1919, the last year reported, the revenues were \$39,843,461.59. The assessed value of the taxable property in the islands at the passage of the act was ₱555,722,847; last year, the taxable property was ₱802,952,684. In fact, the present condition of the Philippine revenues and the present value of the taxable property would warrant a far greater extension of the limit of indebtedness than is now requested.

It should be observed that the second change requested is not with the view of increasing the limit of indebtedness but to change its form. The form of the amendment suggested is identical with that in the Porto Rican organic act which is found, in practice, to be highly desirable. At present, the Provinces and municipalities meet their needs by borrowing from the central government because, in general, the amount of their loans would be smaller than would justify the issue to the public of bonds. It is desired that the central government be relieved of this necessity of tying up its funds in the loans which it makes to Provinces and municipalities and be given the power, should market or other conditions make it advantageous, to float one loan rather than a number of small ones.

The increase in indebtedness requested is conservative and is urgently needed to meet the steady progress in the development of the islands.

There is, however, an additional reason for requesting immediate action on this. There has been an almost total failure to secure funds for commercial, agricultural, and industrial development in the islands from sources outside of the islands. The government, feeling

the absolute necessity of such development has attempted to bring it about by loans and investments of its own funds. This has resulted in tying up the funds of the government in forms which make such funds temporarily unavailable to meet the demand of the public.

With the increase of activity, largely as a result of the government's assistance to agriculture and industries, there has been a demand for foreign goods. This demand has resulted in the necessity of sending money out of the islands to meet payments and the government, in meeting this demand, has practically exhausted its available funds in the United States. This bond issue is, therefore, most urgently needed at the moment to replenish the funds of the government in the United States.

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